
Minutes

Board of Natural Resources

May 6, 2003
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

Doug Sutherland, Commissioner of Public Lands

Bob Nichols for Governor Gary Locke

Glen Huntingford, Commissioner, Jefferson County

Bruce Bare, Dean, University of Washington, College of Forest Resources

James Zuiches, Dean, Washington State University, College of Agriculture and Home Economics

BOARD MEMBERS ABSENT

Terry Bergeson, Superintendent of Public Instruction

CALL TO ORDER

Chair Sutherland called the meeting to order at 9:05 a.m. on May 6, 2003, in Room 172 of the Natural Resources Building.

APPROVAL OF MINUTES

MOTION: Jim Zuiches moved to approve the April 1, 2003, Board of Natural Resources Minutes.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

PUBLIC COMMENTS FOR AGENDA ACTION ITEMS

Bob Dick - American Forest Resource Council

Mr. Dick had several comments regarding Lake Whatcom. Legislation was not meant to be a prescription, it was meant to be a guide and he suggested that DNR planners view it that way. He stated that the plan would be different if other major forestland owners had been involved from the beginning. Mr. Dick brought up a logging conference he had attended where new logging systems were showcased (he noted that Commissioner Sutherland and Jon Tweedale also attended the conference). He stated that the new logging systems coming to the market were very impressive and will create the ability to harvest timber that is not currently harvestable. These new systems would cause minimal or no environmental impact. Mr. Dick suggested that these systems should be reviewed as the planning process goes forward.

Mr. Dick respectfully requested that DNR be tasked to review other land management opportunities in the Whatcom Lake area. Other major landowners were supposed to be involved in the process, through no

fault of the current administration, they were not allowed. DNR should create at least one more alternative that explores more aggressive management and looks at the new logging systems.

DNR should be clear to local government that water quality and land planning problems exist and must be addressed. DNR should make it clear to the public that Lake Whatcom has a history of unstable geology regardless of land management activities. He pointed out that historically, Lake Whatcom has been subject to massive landslides and other activities since time immemorial, and many homes are built on these active lands. Regardless of what DNR does or does not do (or any other land manager) in Whatcom Lake, homeowners are in danger of these slides and should be made aware of that.

He concluded by stating Whatcom Lake has water quality problems but they are not related to forest management or forest production.

Jeroen Kok - Vancouver Parks & Recreation Department

Mr. Kok represented Clark County and on behalf of the Clark County Board of Commissioners, and he testified in support of the proposed Green Mountain Trust Land Transfer. The community is growing rapidly making it very challenging to provide quality parks and recreation opportunities. At the local level the community is facing major budget difficulties making it increasingly challenging to plan for, acquire, and develop park opportunities. The transfer of the Green Mountain property to Clark County will have a significant positive impact on our efforts to provide parks to our citizens. An immediate benefit of the transfer will mean that the 360-acre property will remain in an undeveloped state. This is significant in an area of the county which is experiencing rapid growth. Additionally, the transfer of the property will create an opportunity to eventually develop the site as a significant park.

Mr. Kok thanked DNR staff who have assisted the county in the transfer process and with the approval today and he looks forward to working with them in the coming weeks to complete the transfer. He also looks forward to being able to invite the Board members to a future dedication ceremony for the site.

LAND TRANSACTIONS

Land Transaction Overview

Bonnie Bunning - Executive Director of Policy and Administration, wanted to set the context for the transactions on the agenda. There are a variety of ways to improve returns on lands DNR manages such as sales, purchases, and land exchanges. Several months ago, Ms. Bunning reviewed with the Board the report on past performance in transaction options for increasing revenue to the trust that was prepared for the legislature this past year. Over the last decade, DNR has invested largely in forestlands, and some commercial properties finding that those returns are higher than other lands that we currently manage. The activity, in regards to commercial and agricultural lands, has been relatively low. Over the past year and a half, internally in the agency, DNR set up an asset management council, which is represented by top and executive managers involved in both managing the land and pursuing transactions. That council made a decision last year to allocate available investment dollars differently than in the past. DNR allocated about 2/3 of those replacement dollars to be reinvested in agricultural and commercial assets and the remaining third to be targeted towards forest in-holdings and edge properties on the current blocks DNR manages. The Department is intentionally and more actively and aggressively pursuing investments that can return dollars more quickly. Two transactions are being presented today that implement this decision-making - The OTR Agricultural Land Purchase and the Jansport/Corson Exchange. Another forest in-holding parcel will be on the Board agenda next month.

Ms. Bunning also informed the Board that this fall DNR will report on the performance over the past biennium on the accounts used to purchase land and replace land from trust land transfer. Those are the parkland trust revolving fund, the land bank, and the real property replacement account.

OTR Agriculture Land Purchase #08-74637 Resolution #1064 (Handout 1)

Julie Armbruster presented the proposed acquisition of agricultural land. The department has purchased agricultural land in the past, but this is the first transaction to come from a concerted effort to increase the trust agricultural holdings, as Ms. Bunning mentioned.

The property is located in Columbia County in the SE corner of the state. It is 756 acres used primarily for dry-land wheat farming. 526.2 acres represents the acres that are being farmed; 66.7 acres represents land enrolled in the federal conservation reserve program; the remainder is used for grazing land and homestead. The property has many positive attributes including favorable terrain for farming; it is located in an area with 16' to 18' of annual rainfall considered very good for the area; it has well drained soils that are deep with low erosion potential; and the crop yields in the area per acre run from 60 to 70 bushels of wheat, 1 to 1.5 tons of barley, and 1,600 pounds of peas. The purchase price is \$425,000; \$562 per acre with \$45,000 for Common School and \$380,000 Scientific School.

Benefits: adds productive agricultural land to trust portfolio; assists with asset diversification goals; provides legal access to adjacent common school trust ownerships; joins common school trust mineral rights with surface ownership; crop production income expected to range from \$24,000 to \$33,000 annually; additional income from CRP payments and wind power lease. The department recommends approval.

MOTION: Bob Nichols moved to approve Resolution #1064.

SECOND: Glen Huntingford seconded.

ACTION: Motion passed unanimously.

JanSport/Corson Exchange #86-74702 Resolution #1065 (Handout 2)

Paul Penhallegon - Assistant Division Manager for Product Sales and Leasing, introduced members that participated with the purchase/exchange including Jon Tweedale, Howard Thronson, Rod Rennie, Rich Scrivner, Gale Allen, and David Bortz. Mr. Penhallegon then gave a brief overview of the properties.

Corson (Hat & Boots) was acquired by DNR in 1985 and since then the department has been looking for ways to transition this property to be more productive; Corson Industrial Properties has come forward as an interested developer of this property. At the same time DNR located JanSport Warehouse, which had tremendous potential as an investment property for the agency. These parties came together in a three-way exchange, plus cash from our real property replacement account, and we have met everyone's interests in the process. Mr. Penhallegon gave a summary of the exchange: JanSport Property Acquisition \$12,900,000; Corson Property Disposition \$8,200,000; adding \$4,700,000 in real property dollars. He then turned the presentation over to Mr. Rennie to discuss the Corson property.

Mr. Rennie pointed out a change made to the Board Resolution indicating that DNR is under contract for the properties and the contract allows DNR to continue with the purchase of the JanSport property in the event the trading partner for the Corson property should fail to close. He then showed an aerial photo of the property (Slide 4). Property's appraised value is \$8,200,000 and the parcel is 11 acres. The improvements include dilapidated structures (for demolition) and Hat & Boots (to be relocated). The history of the property: acquired in a land exchange with King County in 1985; trade value in exchange

\$3,888,000; environmental remediation costs of \$1 per square foot (approximately 50% recovered from tenants); Safeco/Harbor Island/Sound Transit displacements account for recent appreciation; overall yield (18 years) 6.5%. He then asked Mr. Scrivner the JanSport exchange.

Mr. Scrivner stated that the JanSport Warehouse and Distribution Center was built in January 2002 located in the City of Everett. The recommended value is \$12,900,000; building size is 200,500 square feet; building design is concrete tilt-up with 30' clear height; has multi-tenant flexibility with sewer connections to all four corners of building; land area is 10 acres. Lease terms: 10 years with two (2) five-year renewal options. Yield: 7.8% initial; 10.4% upon a 10-year hold. Rent schedule: years 1-3 \$1,032,000; years 4-6 \$1,125,000; years 7-9 \$1,226,100; year 10 \$1,233,000. Lease guarantor: Vanity Fair Corporation. Mr. Scrivner then showed some internal photos of the building (Slides 15-17).

Benefits: portfolio diversification for a portfolio dominated by investments in growing timber; provides stable cash flows with relatively low risk; reposition assets from difficult to manage, low income generating property (Corson), to manageable, improved commercial real estate, producing annual cash flows at market rates of return (JanSport).

The transaction was presented to the Technical Advisory Committee on April 2, 2003, and the unanimous conclusion was to recommend acquisition of the JanSport property. On April 16, there was a public hearing held with no opposition to the proposed transaction. Mr. Scrivner reviewed specifics to process (Slide 19). The department recommends approval.

MOTION: Glen Huntingford moved to approve Resolution #1065.

SECOND: Bob Nichols seconded.

DISCUSSION: Jim Zuiches asked if there was a Phase 1 done on the Corson property?

Mr. Rennie said the buyer would undertake that and DNR would provide a great deal of data already obtained.

ACTION: Motion passed unanimously.

Chair Sutherland respectfully dedicated the transaction to Dick Howsley who passed away on March 27. Mr. Howsley was a very instrumental and respected member of the Land Bank Technical Advisory Committee. Mr. Howsley was also an immediate supporter of the department's commercial real estate program, recognizing it as a sensible asset diversification strategy. He was a well-regarded attorney and a partner in the Portland office of the law firm Lane Powell Spears and Lubersky specializing in real estate development and transactions practicing in both Oregon and Washington.

Green Mountain Trust Land Transfer #02-073226 Resolution #1066 (Handout 3)

Evert Challstedt began with brief overview of the Trust Land Transfer Program status (Slide 1). He then presented the Green Mt. TLT stating its location in Clark County 4 miles north of Camas and 12 miles east of Vancouver. It is a residentially developed area. Characteristics: 360 acres; power transmission line easement; no legal access for developments; mixed conifer and hardwood timber. Values: land \$1,150,000 (\$3,194/acre); timber \$2,750,000 (\$7,639/acre); total \$3,900,000 (\$10,833/acre). Deed conditions: use restricted to "open space or recreation" for 30 years; mineral reserved for common school trust. Benefits: funds for school construction (timber value); funds for land replacement (land value); public gains property for open space and recreation. The department recommends approval.

MOTION: Jim Zuiches moved to approve Resolution #1066.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

Panhandle Direct Transfer #02-73444 Resolution #1067 (Handout 4)

Evert Challstedt presented the transfer indicating its location 7 miles southwest of Shelton and 8 miles north of McCleary. Characteristics: 8 acres forested uplands; 12 acres submerged lands; no legal or developed access. Values: highest and best use is a residential lot; appraised value \$155,000; included 4 acres timber (\$38,000). Benefits: disposes of isolated property; provides funds for reinvestment; gives exclusive ownership of lake to WSU. The department recommends approval.

Jim Zuiches stated that due to the transaction involving the Washington State University, in particular the College of Agriculture and Economics, he abstained from discussion or a vote on the action.

MOTION: Glen Huntingford moved to approve Resolution #1067.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

TIMBER SALES

Proposed Timber sales for Month 2003 (Handout 5)

Jon Tweedale - Product Sales Manager, gave market update stating the Canadian dollar strength attributed to robust economy. Canadian mill closures are a potential this summer. Lumber prices were flat to narrowly mixed last month; random length lumber composite up \$2 overall; most traders felt 2X4 Douglas fir - hemlock the best seller.

April 2003 sales results (slide 4): 17 sales offered, 16 sold (1 small pole sale); 41.7 mmbf offered, 40.5 mmbf sold; \$8.5 million minimum bid, \$10.6 million; \$204/mbf, \$262/mbf; bidder pool average of 4; 25% above minimum bid.

Mr. Tweedale brought up a question asked at last month's Board meeting about the percentage of volume for timber leaving the state. A definitive answer was difficult due to so many mills that are across the borders in Oregon and Idaho, but through research it was found that approximately 16% of our volume (17% value) went out of state in FY 02. In FY 01, approximately 19% went out of state. Mr. Tweedale indicated that it was a good exercise because through the research it was found that the value that went out of state was higher than what remained in state.

Mr. Tweedale continued with FY 03 volume projection (Slide 5): 404 mmbf volume sold to date; 561 mmbf projected volume to be offered. Mr. Tweedale is confident that target will be hit. FY 04 target is 560 mmbf.

Proposed June 2003 Board Sales (Slide 6): 22 sales at 58.7 mmbf; \$12.7 million; average \$217/mbf. Mr. Tweedale noted that DNR received a forest practice appeal on the Little Nicky sale but the appeal had no clear specifics within the appeal. He said that the sale reflected significant outreach. He also noted that the Upper Sibley Thinning had a number of comments and SEPA letters, and the concerns were addressed and mitigated.

Chair Sutherland stressed that there had been considerable outreach on the Little Nicky sale. He added that the sale had been under development for an extended period of time and has been redeveloped as a result of the outreach. He then asked John Viada - Northeast Region Manger, to approach the Board and speak about the sale.

Mr. Viada expressed his confidence in the environmental aspects of the sale and reiterated the mitigation efforts driven by concerns raised in the outreach efforts. He then introduced Tim Vugteveen - field forester who has worked diligently on the sale.

Jim Zuiches brought up an issue raised in the correspondence regarding one of the units exceeding the 100-acre limit. One of the statements in the SEPA documents says it was approved. He wanted clarification of the rationale for the approval.

Mr. Vugteveen stated that the outreach began internally with a DNR wildlife biologist and a forest health specialist. The current forest health situation is a high Douglas fir beetle risk as well as extensive past mortality. Due to the risk it was determined that the area should be treated up front before the beetle could continue on. Jeff Fedworth, a wildlife biologist, and Karen Johnson brought those recommendations forward

Chair Sutherland asked Mr. Vugteveen how long it took to put the Little Nicky sale together.

Mr. Vugteveen said it began in the spring of 2001 (2 ½ years).

Bruce Bare asked about the term "tops".

Mr. Vugteveen said it is a marketing sort that the mills use. It's additional volume that the Northeast region is marketing to its purchasers. It is a product that the mills utilize and we want to capture that value.

Mr. Tweedale added that it is new and primarily being used on the eastside because the eastside is unique as it has a fair amount of small diameter wood that a mill can cut about one 2X4 from. It is marketed specifically to the high-speed mill such as Hermann Brothers Mill. It is a new product for that market place.

Jim Zuiches wondered why that grade wasn't listed?

Mr. Tweedale said that a large amount of it falls into a utility grade and from a grading standard, it does not meet the diameter requirements to be a scaleable wood but it is merchantable. The term "tops" is new to DNR and new to the Board, but this is how the market recognizes this commodity, so the discussion is timely.

Chair Sutherland asked Mr. Tweedale if he could obtain a video that shows a small-wood mill such as the Hermann Brothers Mill.

Mr. Tweedale said he would attempt to obtain the video and would also invite Bill Hermann to attend a future Board meeting to discuss the issue.

Jim Zuiches asked what percentage of the trees have already been killed by the beetles?

Mr. Vugteveen said about 14% are already dead.

MOTION: Glen Huntingford moved to approve June 2003 Timber Sales.

SECOND: Bruce Bare seconded.

DISCUSSION: Jim Zuiches brought up the comments of concern for the Little Nicky sale, pointing out that that the SEPA document has clearly identified a series of mitigation activities by the department to protect soil, water, and plant health. He complimented South Puget Sound Region and Gretchen Nicholas and her staff. There were a number of sales appealed in that county and DNR staff addressed each of those carefully. He was impressed with the care that was taken with the Green Gold sale and how it was evaluated.

ACTION: Motion passed unanimously.

Break 10:30

Reconvened 10:45

CHAIR REPORTS

Chair Sutherland introduced a short video he saw at a recent conference and wanted to share it with the Board members and the audience. The video demonstrates an advanced piece of equipment (the Walking Machine) being developed by the company Timber Jack. He believes this new technology will have a significant impact on forest management education and will have a positive impact on the future of sustainable forestry. The Walking Machine is a mobile unit with six mechanical legs that are operated by an advanced computer control system and can cover rough terrain with minimal impact to the forest floor. The machine was adapted for timber harvesting to fell, de-limb, crosscut, and pile harvested logs. The machine can be dropped by helicopter so no roads will need to be built. Timber Jack has brought this technology forward over the last decade and hopes to have a prototype ready within two years. Chair Sutherland expressed his excitement about the possibilities of the machine, the environmental benefits it could create, and the level of productivity that would be gained.

Biscuit Fire Update (Handout 6)

Chair Sutherland reminded the Board that last fall there were discussions regarding the Biscuit Fire and the Board asked for an update on that fire. He indicated that Mark Kahley - Resource Protection Division Manager, and Skip Simmons - Resource Protection Assistant Division Manager, were going to provide the update.

Mr. Simmons began with the conditions present at the time of the Biscuit Fire. Washington and Oregon were suffering from an extreme drought at the time and had been in drought conditions for a long period of time. During this period, there were also 25 large fires occurring nationally, impacting resources. There were several lightening storms taking place (15,000 lightening strikes total). Because of the amount of fires a multi-agency coordination committee was convened in Portland Oregon and a priority-criteria list was established, which included "potential to impact cultural and natural resources" (number 3 on the priority list).

Initially the Biscuit Fire was called the Florence Fire, but the community of Florence Oregon petitioned the forest service to change the name of the fire due to suffering tourism from publicity surrounding the fire. It was officially renamed. The fire gained size at an average of 12,000 acres per day. The Kalmiopsis wilderness area was completely consumed by the biscuit fire, which is now being looked at as a rare and

unique opportunity to view a wilderness area that has been completely consumed by fire and see how it recovers and at what rate, especially with the new science technologies available.

Mr. Simmons brought up the limited resources for fighting the fire, which had a low priority (number 11 of 15). It only went up in priority when it began to threaten communities. This was the largest fire in recorded history in the State of Oregon burning across the Oregon/California line. One of the significant events that took place during the Biscuit Fire was a visit from President Bush. What the President saw first had were the fuel conditions and the disease conditions of the national forests and the impact that they had on the spread of the Biscuit Fire (the primary force for this aggressive fire). The Biscuit Fire helped drive President Bush's Forest Health Initiative.

Mr. Kahley brought up the commonly asked question, is Washington at risk of the same type of fire? There have not been large project fires on the western side of the cascades for a long period of time and the fire level is much different on the westside of Washington vs. the eastside (he pointed out that the Biscuit Fire was on the wet side of Oregon). However, we are at risk – dryness, bug and disease damage, and lack of resources contribute to that risk. The rainfall amount this year could help and the fire season is expected to begin later than last year.

Chair Sutherland mentioned the 226 DNR employees that fought the fires out-of-state and commended their efforts.

Sustainable Harvest Calculation (Handout 7)

Angus Brodie recapped last month's overview of Alternatives 1 & 2.

Alternative 1 - No Action Alternative

Expectations: to maintain current revenue portfolio; habitat development with natural process.

Proposed BNR action: no policy or procedural changes; sustainable harvest level adopted.

Alternative 2 - HCP Intent

Expectations: increase current revenue portfolio size; maintain current revenue portfolio profile; faster habitat development as a result of active management and silviculture and investments.

Proposed BNR action: no policy or procedural changes.

Note: "HCP Intent" was called "BNR Approved Forestry". It was changed per the request of the Board due to the confusion resulting from the term.

Mr. Brodie began presentation of Alternatives 3 & 4.

Alternative 3 - Key policy and strategies for revenue generation

Expect to maintain the shape and increase the size distribution.

Changes in strategies from Alternative 1: sustainable even-flow; one ownership group; 60-year rotation; even-age silviculture; strategies as Alternative 2; management in habitat areas as Alternative 2.

Alternative 4 - Key policy and strategies for revenue generation

Expect to flatten the shape of the distribution with harvest of more, larger timber and more thinnings.

Changes in strategies from Alternative 1: sustainable even-flow; 80-year rotation; protect 150-year old stands; even-age silviculture; strategies as Alternative 1; active management in owl management areas.

Bruce Bare asked if sustainable even-flow in Alternative 3 & 4, as Alternative 1 or 2.

Mr. Brodie said in Alternative 3 it is as Alternative 2 with a wider fluxuation. In Alternative 4, because of the preservation approach, it is similar to Alternative 1.

Glen Huntingford asked about financial aspects of the decision process and when that will be represented, not only for the beneficiaries, but general operations? He wondered how that would be balanced with the silviculture.

Mr. Brodie indicated that cost and efficiency will be focused on in June.

Glen Huntingford asked if this is already part of their process and being incorporated into the presentation.

Mr. Brodie said yes. The presentations that are being presented are based on earlier discussions with the Board, and the two primary issues were revenue generation, i.e., how do we produce revenue through the sale of timber (which is where the diameter distribution came forward); and habitat management, and how to produce habitat.

Bruce Bare brought up diameter and the intent to (an in Alternative 4) protect bigger/older trees. He asked how we can cut more “big trees” when we are protecting “big trees”?

Mr. Brodie said it is a one-time protection, for example - 60,000 acres of 150-year old stands on the Westside, those 60,000 acres will be protected. Because we’re suddenly running at a 80-year rotation, or a minimum regeneration harvest age on average, we will see larger trees and be doing more thinnings. To make up for the volume increase we will need, we will do interim thinnings before those 80-year rotations, which means the trees will be bigger over time. Whether they will be immediately in the first decade is questionable.

Habitat Management: habitat management on trust forestlands was developed under the HCP; a future target distribution was developed in the HCP, age class was used as surrogate for habitat and structure, and structure is what was intended.

Mr. Brodie reminded the Board that they had requested definitions last month so he provided the list:

Forest Stand Stages (brief descriptions):

Open - stand initiation

Regeneration - stand initiation

Pole - early stages of stem exclusion

Closed - stem exclusion and early stages of understory reinitiating

Complex - developed understory and botanical diversification

Fully Functional - “old growth” niche diversification and botanical diverse

Mr. Brodie summarized Alternatives 3 & 4:

Alternative 3 - Key policy and strategies for habitat management

Alternative 3 relies on silviculture and natural disturbance to produce complex forest structures; management under combined ownerships.

Expectation: habitat to develop as a result of silvicultural activities; increase revenue through efficiencies in a combined ownership approach; maintain current revenue portfolio profile; faster habitat development as a result of active management and silvicultural investments.

Alternative 4 - Key policy and strategies for habitat management

Alternative 4 relies largely on natural disturbance to produce complex forest structures; retain older forest with longer rotations.

Expectation: development of habitat to be slow through aging process; harvest more by thinning and larger diameter wood; revenue portfolio profile will be represented by a larger diameter distribution; habitat development largely through natural processes.

Timeline:

June 3 - Alternatives 5 & 6

June 25 - Draft results to be presented and Technical Review Committee will speak

August - Publication of DEIS

Public Comment 45 days from DEIS publication date

BNR design preferred alternative for FEIS

Lake Whatcom Landscape Plan Preferred Alternative Update (Handout 8)

Bill Wallace - DNR Northwest Region Manager, introduced Jack Hulsey - DNR Region Operations Manager, and Steve Hood - Department of Ecology and Chair of the Lake Whatcom Planning Committee indicating they will be participating in the presentation. He then began by acknowledging DNR staff and the advisory committee who have been working diligently, and as of April 25, a consensus was reached on a preferred alternative. They intend to present that alternative as well as two other alternatives that will go into the DEIS. He will also explain the proposed Board action at the end of the year.

Mr. Wallace informed the Board that the Northwest Region will be hosting the BNR August Retreat and indicated the sites they will visit include Lake Whatcom and Lake Cavanaugh (Knight's Knife Timber Sale). The theme of the retreat will be forest management in an urban environment and how those values are balanced on behalf of the trusts.

He then began his presentation on Lake Whatcom, indicating that a packet had been provided to the Board for reference during the presentation

Principles

Comply with laws and policies

Comply with legislative requirements

Apply what we have learned

Satisfy landscape objectives

Balance ecological, social, cultural, and economic values

Mr. Wallace detailed the elements of the legislation that created the current planning process. The Legislation E2SSB 6731 states that there will be riparian zones for all streams including Type 5 streams; carefully regulate harvest and road construction on potentially unstable slopes; develop sustained yield model for Lake Whatcom; and develop road management plan.

The DNR/Committee preferred alternative is a balance of social, cultural, ecological and economical factors. It reflects the knowledge gained during the Committee process and the public hearing and inputs from the Preliminary Draft EIS. The preferred alternative focuses on three key areas including protecting cultural resources, protecting water quality, and maintaining slope stability.

Cultural Resources Strategy

There are three tribes in the area that have particular interest in the cultural resources in Lake Whatcom - the Lummi Nation; Nooksack Tribe; Samish Tribe. The Committee has representation from the Lummi Nation; their representative has provided much valuable information useful in the assessments and analysis processes. The department is working with the Lummi Nation on a government-to-government basis. Commissioner Sutherland has written a letter to the Chairman of the Lummi Nation requesting to meet with them to finalize a government-to-government agreement, not just for Lake Whatcom, but the entire area that the Lummi Nation has concerns with. The formal agreement process will cover the department's plan for timber sales, silviculture, road maintenance, etc. The agreement also outlines cultural resources to be protected. The agreement will also address tribal access to these sites.

Water Quality Strategies

The basic strategy has the department doing the road maintenance and abandonment plan (RMAP) within four years of the plan's approval. Currently, under forest practices, all forestland owners (private and state) must complete a RMAP. The commitment is to make the Lake Whatcom area a priority to get that done as soon as it is known which direction we will go. No aerial application of herbicides or fertilizers will be allowed. No oil or gas drilling in the watershed although drilling can still be done outside the watershed if needed. There must be 30-foot riparian buffers on all Type 5 streams in the landscape planning area.

Slope Stability Strategies

No road construction on unstable slopes; will carefully regulate harvest and road construction on potentially unstable slopes; and a road maintenance and abandonment plan in four years.

Another critical element in the preferred alternative is the inter-jurisdictional committee to review the plan and to review the work on site.

Chair Sutherland asked who appoints that committee?

Mr. Wallace said that ultimately, Commissioner Sutherland would approve the committee but we are also seeking feedback from local jurisdictions including the county, the city, the water district, and other key participants.

He continued with the DEIS Alternatives (Slide 9). In addition to the preferred alternative there will be two other alternatives, 1) a no action alternative (current practices with the HCP and the Forest Resources Plan), 2) preferred alternative, and 3) the committee recommended a PDEIS Alternative 3 for bracketing purposes. He then turned to Mr. Hulsey to present a comparison to the three alternatives.

Mr. Hulsey showed the Board the Lake Whatcom metrics (Slides 11 - 15) to help them understand how the alternative policies differentiate. He touched on key differences in his presentation but pointed out a detailed handout within their packets that they could refer to later, which contains a lot more information.

Slides 11 and 12 showed that, compared to the no action alternative, the preferred alternative would generate approximately 65% of the net present value (NPV), and the PDEIS Alternative 3 would generate 14% of the NPV.

Slide 13 showed the no action alternative would generate an approximate average annual harvest of 5.5 million board feet (MMBF); the preferred alternative 2.7 MMBF; and PDEIS alternative 3 approximately 0.5 MMBF.

Slides 14 and 15 showed the percentage of total Lake Whatcom acres harvested as regeneration harvest for each of the three alternatives: no action alternative; 61%; preferred alternative; 47%; PDEIS alternative 3. 0%.

The legislature, as trustee, directed the department as manager of the trusts to develop a landscape plan for the Board's consideration.

Mr. Wallace highlighted key next steps:

August - release DEIS

September - public hearing

November - release FEIS

December - FEIS to Board of Natural Resources

He then asked Mr. Hood to provide his perspective.

Mr. Hood stressed the need for the groups involved to consolidate perspectives, and building trust was key. An important part of it is the inter-jurisdictional committee that would be providing site-specific reviews. Another part is how to deal with risk management and levels of protection, which is the reason we were able to come to that consensus and also the reason the committee asked to have Alternative 3 to be evaluated. Alternative 3 takes a more prescriptive approach.

Bruce Bare asked if the same forest structures for Lake Whatcom would be shown (as in the sustainable harvest calculation) as part of the output mix.

Mr. Hulsey said yes and that there will be a structural analysis.

Bruce Bare suggested that there should be more of a balance within the matrix to show the benefits. The way the matrix is presented, the only benefits that can be seen are a larger percentage of the landscape in 150-year old plus trees and a larger percentage of trees in special protection status, making it difficult for a Board member to balance benefits against cost. Bruce suggested it would be good to have that discussion at some point.

Mr. Hulsey indicated that there is a two volume PDEIS containing substantially more information in it. Additional information will be prepared for the DEIS and additional information will be generated from the public comment period. He agreed that the one page table they are reviewing does not capture all of the information available. The differences, benefits, and costs will be fully characterized as we move into the DEIS process.

Bruce Bare suggested that one of those benefits should show the stand structure, because one could argue there is greater biodiversity due to a greater mix. That could be counted as a benefit. As the "social" issues are looked at those should be articulated as positives to give the Board a way to make the balance.

Mr. Hulsey brought up a presentation he made to the Board in March indicating stand structure age surrogate, and how the landscape changed. There were a variety of opinions expressed about those kinds of patterns, which are materially different. There are tradeoffs with them associated with different species using different structural groupings.

Bruce Bare reminded Mr. Hulsey that those were going to be revised and he is waiting for those revisions.

Mr. Hulsey said they are forthcoming.

Mr. Wallace added that this is work being done now with the analyst as the DEIS is prepared. That is where it will be shown.

Chair Sutherland asked if there would be a mechanism built in to allow flexibility?

Mr. Wallace said yes. The department and the committee discussed this to a great degree. We need to allow for new information so we will be adaptive to information we gather in the future on the landscape and on any given site.

Chair Sutherland indicated that there will most certainly be technological changes in how we function in the forest. He noted that as the reason he showed the video on the Walking Machine, stating that there needs to be a way to benefit from future opportunities and improvements as they arise.

Mr. Wallace pointed out to the audience that there are handouts available on the table reflecting the presentation and they are welcome to pick up a copy.

Jim Zuiches noted that there was a new category in the table “potentially inaccessible areas due to other strategies”. He wondered what the “other strategies” are because we have already accounted for unstable slopes, potentially unstable slopes, riparian management zones, wetland management zones, wind buffers, etc. Based on the map he was reviewing, it seemed to be taking up a lot of land.

Mr. Hulseley stated that legislation requires restrictions to be placed on road construction on unstable slopes. The result is you cannot cable yard or ground yard on such slopes. That creates the potential exception that it can be flown out by helicopter, but practically speaking, you need to have a place to land so you’re not flying over residences. We can’t fly logs up hill because you turn stumpage into jet fuel. It puts those areas economically out of our reach.

Jim Zuiches asked what percentage of land is in that category?

Mr. Hulseley said he would provide an answer at a later date. *Note: upon review of the data, there are 1,942 acres (about 12%) of the total planning area economically inaccessible due to the legislation.*

Jim Zuiches suggested that it would be good to explain the constraints imposed on the use of that land.

Glen Huntingford brought up water quality issues asking if those have been resolved?

Mr. Wallace brought up two letters from DOE and DOH that he had previously shared with the Board. The two letters were in response to a letter from Commissioner Sutherland asking what role does the state forestlands in Lake Whatcom play on water quality in Lake Whatcom. The replies from both were that DNR lands are not the problem, but the solution. The letter from DOE stated that DNR’s current practices along with the legislative requirements are state of the art for reducing risk of pollution from commercial forestland.

Mr. Hood added that substantial water data will be collected throughout the summer and into the fall and there will be a technical report released by June of 2004.

Glen Huntingford asked how water quality protection/pollution became the responsibility of DNR to resolve if it’s not tied back to the forest ground as was originally thought? DNR already has good practices that are acknowledged yet we are putting more restrictions in the watershed for harvest due to mandates. He stated that he wants to know more about that.

Mr. Hulsey noted that legislature acted to protect water quality and slope stability/public safety. The legislation was an attempt to address certain problems with a particular approach. As more has become known about water quality and other processes in the watershed, the legislative tool may have had some unintended consequences.

Mr. Hood did not know the history as to how this became the responsibility of the department.

Glen Huntingford understood Mr. Hood's perspective, but stressed that the department is again taking the brunt of protecting the watershed when there are other issues within the watershed that are of as much concern or possibly of more concern, yet DNR is going over-and-above, again, trying to meet the concerns of the citizens when we may not be as much of the problem as the legislators or the citizens originally thought.

Jim Zuiches concurred, reminding everyone that he had brought up this issue many times, asking what the rest of the community is doing? Are they prohibiting the use of motorboats on the Lake, addressing septic tanks, etc.

Bruce Bare brought up Principle #5 (balance ecological, social, cultural & economic values) and the term "potentially inaccessible areas" pointing out that could mean a number of things i.e., people, animals, etc. It is however, intended for harvest, and Bruce thought the name was wrong for that category. Also, back to Chair Sutherland's point about adaptability over time; the definition of what is inaccessible now will change in the future. He suggested the term "temporarily deferred".

Jim Zuiches said it's over and above those categories and it would be useful to explain why.

Lunch break 12:40

Reconvened 1:20

CHAIR REPORTS CONTINUED

Loomis NRCA Plan Report (Handout 9)

Brooke Derr - Environmental Planner in the Natural Areas Program, introduced the core planning team, Andrew Stenbeck - Northeast Region and David Wilderman - Program Ecologist. Ms. Derr began with a description of the vicinity then gave a brief history of events.

Timeline History:

January 2003 - presentation to the Board of Natural Resources

February 2003 - SEPA environmental review

March 2003 - compiled comments & drafted responses (entities below)

April 2003 - notice of final determination

May 2003 - presentation to the Board of Natural Resources

Comments received from:

Butte Busters Snowmobile Club

Association of Okanogan Co. Snowmobile Clubs

Washington State Snowmobile Association

Okanogan Co. Search & Rescue

Backcountry Horsemen, Okanogan Chapter

Chopaka Permit Range Permit Holders

Okanogan Farm Bureau
District 3, Okanogan County Commissioner
Friends of the Loomis Forest
Northwest Ecosystem Alliance
Local residents

Next Steps:

Plan approval (plan will be submitted to Commissioner Sutherland); notice of action; and appeal period.

Plan Framework:

Memorandum of Clarification

NRCA Act (RCW 79.71)

Related plans: Loomis Forest Landscape Plan; modified DNR Lynx Habitat Plan; Grizzly Bear Recovery Plan; Coordinated Resource Management Plans.

Management Goals: coordinated conservation with low-impact public use, and traditional activities such as livestock grazing, snowmobiling and horseback riding; maintain the parcels in the most natural condition possible; protect native ecosystems, habitat, geological features, scenic areas, and cultural resources; comply with HB 1309 agricultural grazing standards.

Management Categories: vegetation; wildlife habitat; public use.

Glen Huntingford asked what the elevation is in the area.

Mr. Stenbeck said the peaks are nearing 8,000 feet and in the valleys in the NRCA, about 4,800 feet.

Ms. Derr continued with Plant Species: Two-spiked moonwort (state threatened); Diverse-leaved cinquefoil, Tweedy's willow, and Scandanavian sedge (state sensitive). Wildlife Habitat: Grizzly bear; Gray wolfe; Wolverine; Canadian lynx; Northern goshawk; four butterfly species. Public Use: allowed uses; access; recreation/trails; permit range management; environmental education.

Ms. Derr noted that the team was encouraged to make a variety of sites visits and they did.

Mr. Stenbeck added that the process was very inclusive with the constituents. It was a collaborative process that produced a product that is accepted by the community.

Chair Sutherland asked what the next steps are?

Ms. Derr stated that the plan will be turned over to Commissioner Sutherland for approval and signature, then the program will issue a notice of action so the department can communicate to the public that this is the plan that will go forward. That will be followed by a 21-day appeal period where anyone can appeal the plan if they wish.

Chair Sutherland clarified that there will be no action needed by the Board.

Mr. Stenbeck stated that no action is needed for the NRCA, but there will be action needed by the Board later in the planning process when a supplemental EIS to the current landscape plan, and the current EIS come forward. Part of the supplemental is adjusting the landscape and recognizing, through reference, the creation of the management plan, so it is important for the Board to understand, and to be involved.

Ms. Derr indicated that the presentation is a follow-up to show the Board how the team has fulfilled the parameters outlined in the legal document.

Chair Sutherland acknowledged the good work by the team and all others involved. He indicated that the process has been quiet, and non-controversial, and he attributed this to the great efforts on the part of the team. He expressed his appreciation.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST

Chair Sutherland introduced Doug McRae, explaining that he is allowing Mr. McRae an extended period of time for his comments due to the complexity of the information he wanted to present to the Board.

Doug McRae - Geoduck Issues (Handout 10)

Mr. McRae began his presentation with a short video about Geoduck harvesting methods. He indicated that the video was made in conjunction with the Underwater Harvest Association in Canada and the Department of Fisheries.

He then stated that the purpose of his presentation has three primary aspects, 1) compare Canadian fisheries with Washington fisheries, 2) look at the possible uses of unproductive sub-tidal land, and 3) look at the possible uses of productive sub-tidal land.

Mr. McRae believes the Washington State Geoduck industry could reach \$100 million of revenue on a yearly basis. He noted that Geoducks live to be 162 years old and grow to about 14 to 16 pounds in size, and the state has estimated that there are approximately 675 million pounds of Geoduck and at the current market price of \$7.00 per pound average, that's a 4 billion dollar resource. He stated that there are many Geoduck tracts that have previously been harvested that are now laying fallow. There are approximately 44,000 acres that are in recovery status. If that land could be leased to private industry for replanting of stocks the department and the state could see an increase in its sustainable yield by about 4 million pounds off of 400 acres. The department's current policy is to not lease these sub-tidal lands to private industry. If the policy could be changed and a rent and lease structure could be incorporated (example: fallow land could be leased for \$100 per acre, increasing after planting to \$1,000 per acre) the state could realize additional revenue of \$4-5 million in leases. As the property is planted and harvested, a 10% assessment of the gross revenue from the sale of the product could provide a significant amount of revenue in addition to the yearly rental.

Mr. McRae then addressed lost acreage to non-source-point and sewer outfall/pollution. He indicated that approximately 3,800 acres of prime Geoduck beds have been lost, which comprise about 40 million pounds. At this time these lands are in a holding pattern. In Washington State, there are no depuration plants, but Canada has 5. If product were taken from these polluted areas, there is a Canadian company that would like to begin the depuration process and prepare the clams for public consumption. The initial revenue to the state could be \$4 million per year. If the property were then leased and replanted (he indicated a chart on Page 8 with projected revenues) the annual increase could go from \$2 million to \$5 million annually.

Mr. McRae then discussed his the third concern - deep-water harvest. Currently, harvest cannot go below 70 feet. The current laws only allow harvest between minus 18 and minus 70. It is reported by the Department of Fisheries that there are roughly 400 million pounds of Geoduck that lie outside the legal harvest area at this time. If harvest was allowed in the deeper regions, maintaining a 1% harvest rate (current rate is 2.7%) it could add revenue of \$4.25 million to the department.

Mr. McRae believes these projects can be enacted; there are laws to allow them. He said the Legislature has passed a law increasing the direct sales amount to \$100,000. There is also a clause in the Fisheries regulations that allow experimental emerging commercial fisheries to take place. Mr. McRae is not aware

of any laws that need to be changed, just policy. He drew the Board's attention to the last page of his handout that showed the combined projected revenue to the state from each of his categories for a 10-year period of time, increasing revenue by approximately \$8 million per year. He also indicated that this effort would employ about 300 people. He stressed the abundant resource in the Geoduck industry and how it needs to expand.

Becky Kelley - Washington Environmental Council (WEC)

Ms. Kelley commented on the metrics (ecological, social, economic measures) of the Sustainable Harvest Calculation. Her understanding is that the technical review committee was to be involved in helping to develop those metrics, and she understood that there was a lot of discussion during the scoping phase about what those were going to be. She said she would appreciate an update on which metrics will be looked at. As alternatives are analyzed, it comes down to what is being measured. She suggested that in June, while the technical review committee is before the Board, it would be good to hear an update on that. She also brought up the time gap that Mr. Brodie expressed concern about regarding June results, the Model results, and the August DEIS, and she expressed concern for the time gap as well.

Ms. Kelley also brought up process and wanted to express her continuing concern about the mixing and matching concept. Is it happening now or later? Her observation at previous Board meetings has been the Board expressing interest in getting the specific details of the alternatives and then mixing and matching, and she believes that idea has fallen away, and the intent is to mix and match at the end. She stated that it will be important to take the time for mixing and matching, which in itself, will take a great deal of time.

She concluded with a positive comment about the work done with the Legislation passing this Session on the Contract Harvesting. WEC was pleased to support that legislation along with DNR.

Marcy Golde - Washington Environmental Council (WEC)

Ms. Golde was pleased to see the procedures and tasks that may need to be changed with the various alternative listed. However, she was concerned that there are procedures and tasks that are directly connected to the various alternatives that are well labeled, but, there are also procedures changed that are not well labeled. She suggested that the no-action alternatives be taken into consideration, because those are also changes and they cover a variety of issues.

Rod Fleck - City Attorney for Forks

Mr. Fleck indicated that he too would like to see the metrics before June 25, so evaluations can begin. He also noted that they have asked to have all of the alternatives play out in at least one example and he hasn't seen that yet. He then asked about the 150-year one time set-aside and wondered who will compensate those various trusts for those set-asides.

BOARD DISCUSSION

Chair Sutherland discussed upcoming Board meetings stating that there will be the regular June 3, meeting as well as a special meeting on June 25. There will be no July meeting. The August Retreat will be held on August 19, & 20, at the Northwest Region. The afternoon of August 20, will be a public meeting. The tentative agenda items for the August Retreat are: urban interface; aquatic lands issues; Lake Whatcom Watershed Study; Blanchard Mountain; Bellingham Bay; Knight's Knife timber sale site visit; Sustainable Harvest Calculation.

Chair Sutherland asked if there was anyone else present wishing to make comment before the Board? Seeing none, hearing none. Meeting adjourned at 2:25 p.m.

Approved this ____ day of _____, 2003

Doug Sutherland, Commissioner of Public Lands

Bob Nichols for Governor Gary Locke

Bruce Bare, Dean, University of Washington

James Zuiches, Dean, Washington State University

Terry Bergeson, Superintendent of Public Instruction

Glen Huntingford, Commissioner, Jefferson County

Attest:

Maureen Malahovsky, Board Coordinator